



Michigan Nonprofit Association

Testimony on SB 1528

By

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On behalf of Michigan Nonprofit Association and our nearly 1,000 members, thank you for the opportunity to testify in support of SB 1528, a bill to amend the 1975 Charitable Organizations and Solicitations Act (COSA).

The purpose of the 1975 Act is to regulate organizations and persons soliciting contributions for charitable purposes. This act is extremely important to protect the interests of donors, ensuring their donations go toward a charitable purpose. Currently, charities and fundraisers soliciting money for a charitable purpose must be licensed through the State of Michigan's Department of Attorney General.

While COSA continues to be important legislation for the nonprofit sector, it needs to be amended to reflect the current environment. SB 1528 not only makes the 1975 Act more relevant, it calls for stricter penalties for those organizations that *purposely* violate the provisions within the Act. SB 1528 looks to weed out the "bad actors" that diminish the credibility of the nonprofit sector and drain the ever dwindling resources available to nonprofit organizations.

SB 1528 will make necessary revisions to prohibitive transactions and standards of solicitation for both charities and licensed fundraising professionals. First, SB 1528 changes the charitable solicitation licensing requirement to a registration process. This takes the guesswork out of when an organization can solicit funds. Under the current licensing process, it remains unclear to nonprofits when they are allowed to begin soliciting. License applications can take 30 days or more to process and the organization is left wondering if they can solicit. As soon as a registration is submitted, an organization could begin soliciting under these proposed changes.

SB 1528 also changes the filing threshold from \$8,000 to \$25,000. A charitable organization that receives contributions in excess of \$25,000 would have to register within 30 days of exceeding the threshold. The threshold has not been increased since the Act was passed. In fact, \$8,000 in 1975 has the buying power of more than \$32,000 in 2010. It is important to increase the threshold to reduce the burden placed on small organizations that raise a limited amount of money for charitable purposes.

The most substantial piece of SB 1528 involves increasing the types of prohibitive acts and more clearly defines those acts, particularly regarding those involving purposely misrepresenting donors or potential donors during a solicitation. SB 1528 also increases the fines and punishments to better represent the severity of the actions. Under the 1975 Act, a purposeful violation of a prohibitive act may result in a \$500 fine. If amended, SB 1528 would increase fines significantly, and may include jail time depending on the severity of the act. In addition, SB 1528 will increase the fines and penalties for prohibited acts by professional fundraisers. It also requires professional fundraisers to provide verification of current licensing status.

COSA is an important piece of legislation for the nonprofit sector, but it must be revised and amended to update the 35 year-old Act and to better define and clarify both the prohibited acts of charitable organizations and fundraisers, including increasing the penalties for violating those acts. Michigan Nonprofit Association strongly supports SB 1528.